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FISCAL IMPACT STATEMENT

LS 7335 | **NOTE PREPARED:** Jan 31, 2009
BILL NUMBER: HB 1598 | **BILL AMENDED:**

SUBJECT: Logistics Development Incentives.

FIRST AUTHOR: Rep. Reske | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: This bill authorizes a county to adopt an ordinance providing a temporary exemption from the wheel tax for vehicles owned and used in the operation of twenty-first century logistics enterprises at certain locations.

The bill also authorizes a county to adopt an ordinance providing a temporary exemption from the Commercial Vehicle Excise Tax (CVET) for vehicles owned and used in the operation of twenty-first century logistics enterprises at certain locations.

The bill limits the exemptions to vehicles owned and used at a new logistics enterprise or in the expansion of the fleet of an existing logistics enterprise. It also requires the Indiana Economic Development Corporation (IEDC) to certify the owner's eligibility for an exemption.

Effective Date: July 1, 2009.

Explanation of State Expenditures: The IEDC would have additional duties under this bill to verify that a vehicle owner is eligible to receive the exemptions and to issue certificates of eligibility. The IEDC should be able to complete these tasks with their current level of resources.

The Bureau of Motor Vehicles (BMV) would incur minimal administrative costs related to exemption of certain vehicles from the Wheel Tax and CVET (for intrastate vehicles). The fund affected is the Motor Vehicle Highway Account, which supports the BMV.

In addition, the Department of State Revenue (DOR) administers CVET as it relates to interstate vehicles and would also incur minimal administrative costs related to exemption of certain vehicles from CVET. The DOR is funded from the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this proposal, certain motor vehicles owned by a twenty-first century logistics enterprise could be temporarily exempted by the county fiscal body from the county wheel tax and the CVET if the enterprise is located in a qualified location. Qualified locations under the bill would include all brownfields, and also sites that are no more than three miles from an airport, a port, a freight railroad depot, a commuter rail station, or an interstate highway (other than I-65).

The county fiscal body would have to pass an ordinance between July 1, 2009, and October 30, 2009, inclusive, for exemptions in 2010, 2011, and 2012. Qualifying vehicles owned by an enterprise located in a brownfield would receive a three-year exemption. Outside of a brownfield, a qualifying vehicle would receive a two-year exemption.

The exemption would be available only for vehicles that are either (1) used at a qualifying enterprise that begins operations at the location after December 31, 2009, or (2) purchased as part of a fleet expansion by an existing qualifying enterprise.

County Wheel Tax: In CY 2007, 44 counties imposed the Surtax/Wheel Tax and generated $5.8 M in Wheel Tax (and $51.5 M in Surtax). Wheel tax rates range from $5.00 to $40.00 per vehicle. Wheel Tax is distributed to the county unit and each city and town in the adopting county. The revenue is used for road and street construction and maintenance.

Currently, if additional commercial vehicles are registered in a county that imposes the Wheel Tax, then the additional commercial registrations would generate additional wheel tax. If the new qualified vehicles are exempt for two or three years under this bill, then the additional wheel tax would be foregone for those exemption years.

CVET: Under current law, each taxing unit's CVET distribution is equal to 105% of the amount that the unit received in the prior year, going back to the base year. The CVET tax rate is calculated by dividing the amount needed to make the unit distributions by the commercial vehicle registration fees paid in the previous year. The rate is applied to current registrations to generate the current year CVET liability for each vehicle.

Currently, if additional commercial vehicles are registered and the total of all commercial registration fees increases, the CVET tax rate is reduced, yielding the same total CVET distribution to local taxing units. If the new qualified vehicles are exempt for two or three years under this bill, the CVET rate would not be reduced in those years and the distributions to local units would be unaffected.

The exemptions from the Wheel Tax and CVET would be a local decision.

State Agencies Affected: IEDC; BMV; DOR.

Local Agencies Affected: Counties, cities, and towns.

Information Sources:

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